

CALIFORNIA STATE TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Significant Event Policy

ITEM NUMBER: 12

ATTACHMENT(S): 0

ACTION: _____

DATE OF MEETING: March 3, 1999

INFORMATION: X

PRESENTER(S): Mr. Mitchell

Executive Summary

In the January 1999, Investment Committee directed staff to investigate and present for discussion alternative methods to handle unanticipated investment decisions.

The alternative methods presented have been divided into two categories: (1) Staff delegation related and (2) Teachers' Retirement Board (Board) related.

1. Each of the investment policies approved by the Board have staff delegation criteria with specified maximum limits for real estate, alternative investment, fixed income, internal equity, securities lending, and currency hedging. There is no mechanism to temporarily increase staff delegation policy limits. Two possible mechanisms are outlined below:
 - A. Delegate, to the Chief Executive Officer, the authorization to temporarily increase staff delegation policy limits, within specified parameters, after consultation with other members of the CalSTRS staff such as the Chief Legal Counsel and Chief Investment Officer.
 - B. Delegate, to the Chief Executive Officer, the authorization to temporarily increase staff delegation policy limits, within specified parameters, after consultation with members of the Board such as Investment Committee and Board Chairpersons.
2. Generally, under the Bagley-Keene Open Meeting Act, any matter, including investment items, may only be considered at a meeting after a minimum of ten days public notice. However, the Code has some flexibility to address unanticipated investment decisions as outlined below:
 - A. **Board noticed meeting, but investment item not on the original agenda** - If the need to consider an item arises after the meeting has been noticed, but before

the meeting has been held, an item can be added to the agenda under the following circumstances:

1. If a majority of the Board determines that an emergency situation exists involving the need for prompt action due to a disruption or threatened disruption of public facilities.
2. If two-thirds of the Board determine that a need to take immediate action exists or that the need for action came to the attention of the CalSTRS subsequent to the agenda being posted.

B. Special meeting - In circumstances where compliance with the ten day notice provisions would impose a substantial hardship on the Board or where immediate action is required to protect the public interest, a special meeting may be called upon 48 hours notice. Among the purposes that are authorized for such meetings, two are potentially applicable to investment matters:

1. To consider “pending litigation”
2. To consider the purchase, sale, exchange or lease of real property

C. Emergency meeting - Under certain circumstance, emergency items may be addressed under the emergency meeting provisions of the Open Meeting Act. In the case of an emergency situation involving matters upon which prompt action is necessary due to a disruption or threatened disruption of public facilities, the Board may hold an emergency meeting without complying with either the ten-day or 48 hour notice provisions discussed above. An “emergency situation” exists if the Board determines by a majority vote that either:

1. A work stoppage or other activity exists that severely impairs public health or safety or both.
2. There has been a crippling disaster the severely impairs public health or safety or both.

A one-hour notice to the press is required by telephone unless phones are inoperative, in which case notice is waived.

It should be noted that, subject to certain requirements, the meetings described above may be held telephonically.

Staff recommends that if the Committee wishes either the delegation option, the meeting option or both explored, that the matter be referred to the Governance Committee for study and action, as appropriate.